



Institut für Beschäftigung
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HR policy in times of crisis

Extract from the analysis

May 2009

HR policy in times of crisis – study findings

In May 2009, the Institute for Employment and Employability (IBE) conducted a survey entitled “HR policy in times of crisis”. Some 2000 companies were asked about the HR policy measures they are currently deploying to tackle the economic crisis and what measures they are planning for the coming months. 343 companies responded to the survey. For Prof. Jutta Rump, Director of the IBE, the extremely high response rate of 18 percent for a survey spanning various sectors and company sizes is confirmation of the importance of the investigation. “For such a wide-ranging survey, we would normally expect a response rate of just two to four percent.”

The survey unearthed an equally unexpected result: The most important management task was not cutting costs by reducing headcount (67.3%) in May, but instead “communication and behaviour” (95.9%), followed by “leadership” (95.3%) and “qualifications” (94.8%). The companies don’t just consider these priorities important in principle, but are already acting on them. Measures aimed at directly reducing headcount are (still) playing a secondary role, says Jutta Rump, although she adds that the longer the crisis lasts, the tougher the measures will get.

Specific reference was made to examining processes to increase efficiency and effectiveness, looking for ways of saving energy and leveraging employee creativity. Of the companies surveyed, 73% said they were using the time to allow their employees to further their qualifications. Changes to working hours are also seen as important and are being implemented. This includes flexible working models as well as reducing overtime. Short-time working is currently only relevant in certain sectors (such as the automotive sector as well as engineering and plant construction). Very few companies are currently making use of the subsidies available for staff to gain qualifications during periods of short-time working. However, companies are increasingly failing to renew temporary staff contracts. The survey also revealed that many respondents are failing to renew fixed-term employment contracts and have introduced a hiring freeze, at least for skilled staff. Operational redundancies are not (yet) being implemented, and are only being considered in isolated cases.



It is worth noting that many companies are trying to gain time. They are aware of the trade-off between taking urgent action to tackle the crisis now and taking long-term action to accommodate future trends (such as demographic change). They are also aware of the consequences of implementing a hasty, global cost-cutting strategy in the traditional sense. However, if the crisis continues over the coming months, the likelihood is that the current measures will be intensified. These include cutting working hours in certain operational areas and occupational groups, making increased use of short-time working, combining short-time working with gaining qualifications and terminating employment contracts after the probationary period.

Temporary transfers are also being considered. There are also plans to review voluntary benefits, postpone pay increases or even reach an agreement with employees to convert bonuses into time off. The survey also highlighted the fact that many companies are either considering or already planning to support (younger) employees to complete a course of study for example, as well as introduce termination agreements and early retirement. If the crisis continues, companies will increasingly consider terminating contracts after the probationary period.

Companies are also looking into the possibility of setting up strategic partnerships with other firms to exchange employees. Furthermore, 35% of companies surveyed are considering filling management roles with women in order to increase diversity within their decision-making structures. There are a range of HR policy measures which respondents view as important in times of crisis but which many see as unworkable. These include temporarily halting staff pay in the form of a loan, fixed-term hiring-out of personnel and extending parental leave.

As a basic principle, 10 action fields can be identified into which a number of measures can be grouped.

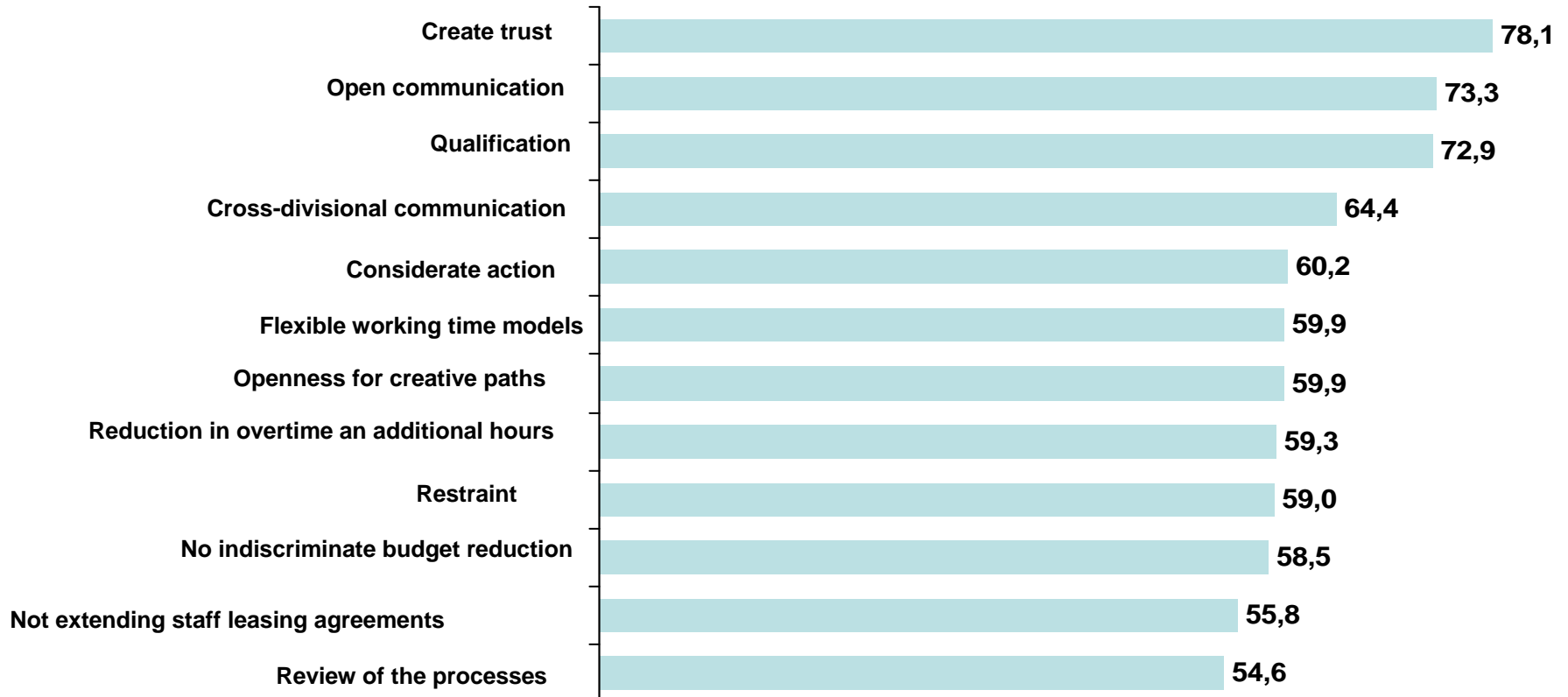


Action fields	Measures
Change in working hours	Flexible working time models; working time accounts; temporary reduction in working hours; determination of company holidays and holiday periods; extension of parental leave; reduced working hours; reduction of overtime and additional hours; agreement of work on demand
Qualification	Further training; qualification during reduced working hours; encouraging (younger) employees to undergo further training by them deciding to e.g. take a degree
Change in the place of work	Temporary transfer as far as permissible with the employment contract; Temporary transfer with amendment contract
Cooperative approaches	Temporary transfer of own employees (taking into account statutory boundary parameters), strategic alliances between several companies to exchange employees and work; strategic alliances with customers, suppliers
Monetary aspects	Not reducing budget indiscriminately; review of variable benefits; variable wage and salary structures; conversion of bonus into time and holiday; temporary renunciation by the employees of parts of their remuneration; temporary renunciation by the employees of parts of their remuneration as loans; acquisition of subsidies
Reduction in the workforce	Recruitment stops; early retirement, termination contracts; not extending temporary employment contracts; not extending or termination of personnel leasing agreements; sales of parts of the company; professional severance management; layoffs due to operational reasons
Management	Openness for creative paths to cope with the crisis; acting considerately; management in the delicate balance between acute action and perspective thinking; anti-cyclic action; interim crisis manager
Communication	Create trust; openness, honesty, fairness, creation of scenarios from the best case to the worst case and discuss with the managers, the works' council and the employees; cross-departmental communication
Approaches beyond HR management	Reassessment of the cost-cutting strategy; expansion of the sales activities e.g. Through employees from the production; distribution of the budgets taking into account innovation activities; price reduction; review of the processes; energy savings; use of the time created by the crisis for maintenance, repair, renovation, etc.; make instead of buy
HR policy perspectives	Organisation of the personnel structure into smaller permanent workforce and variable peripheral workforce; staffing of management positions with women as well; viewing HR as an investment.

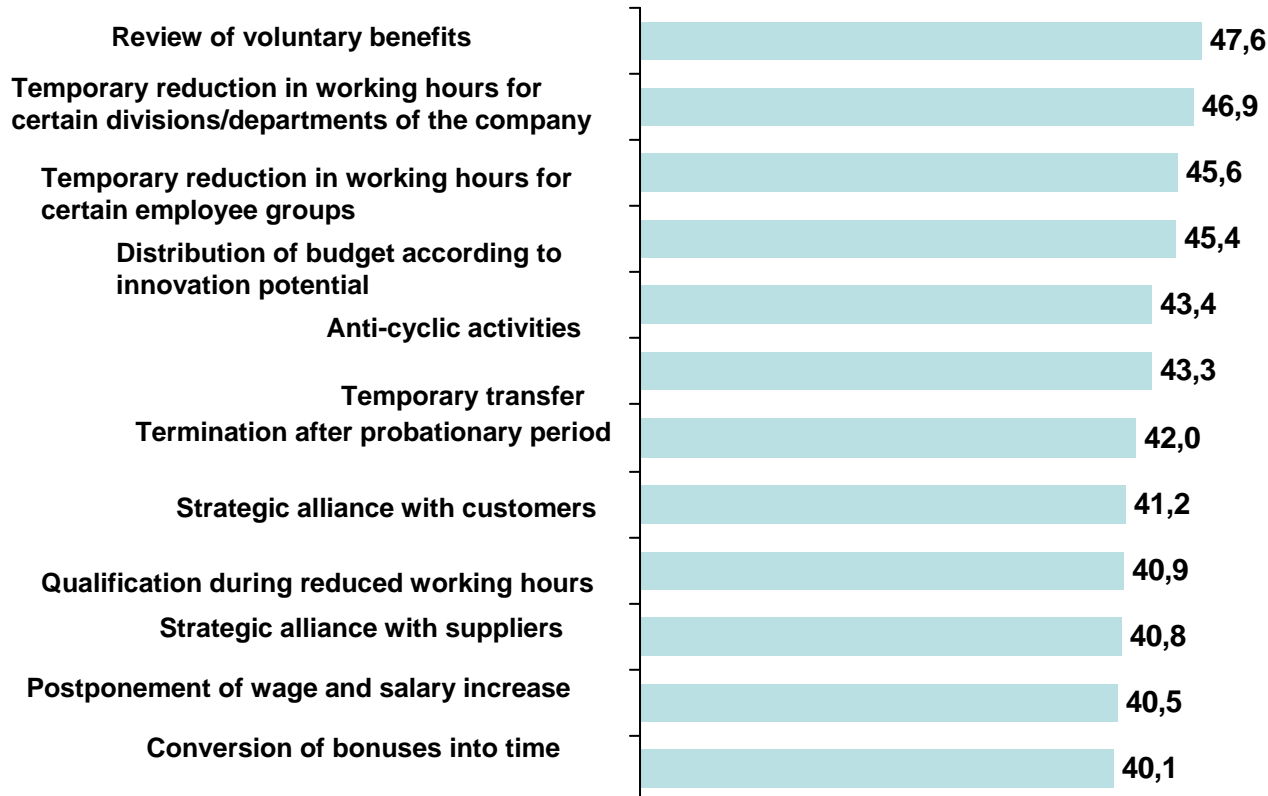
1. Management summary of online survey



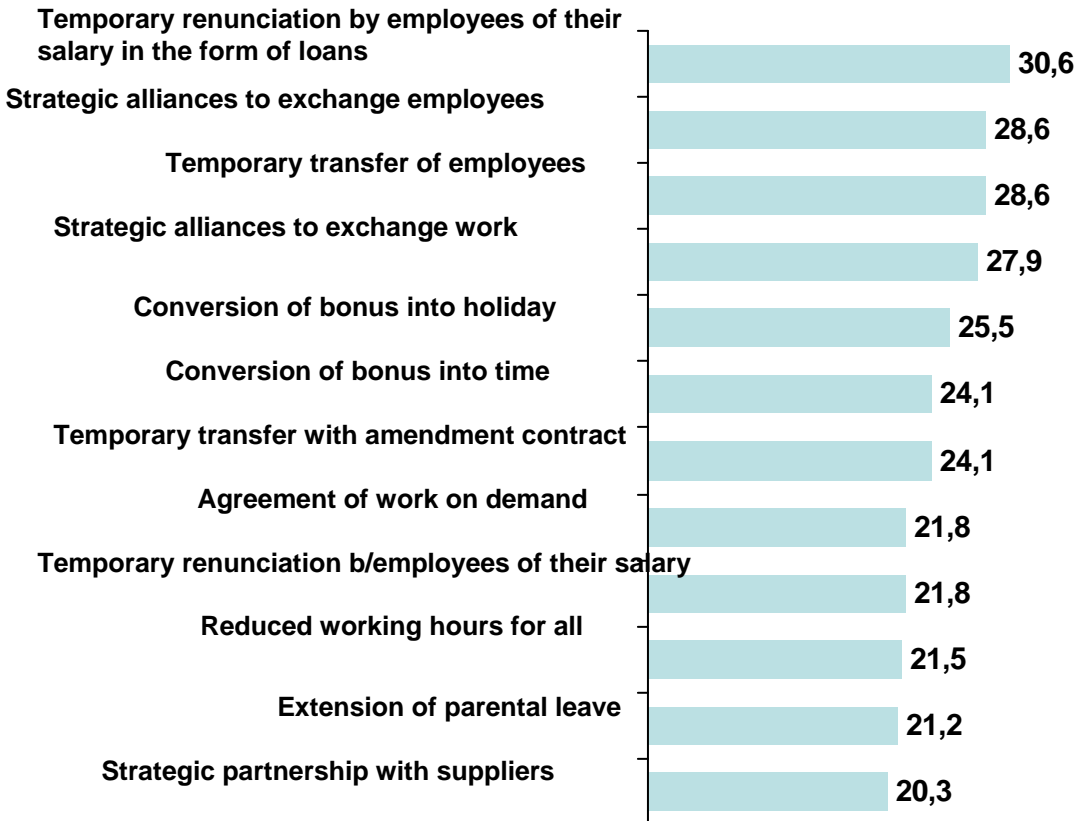
The following HR policy measures are seen as important in situations of crisis and are already being implemented:



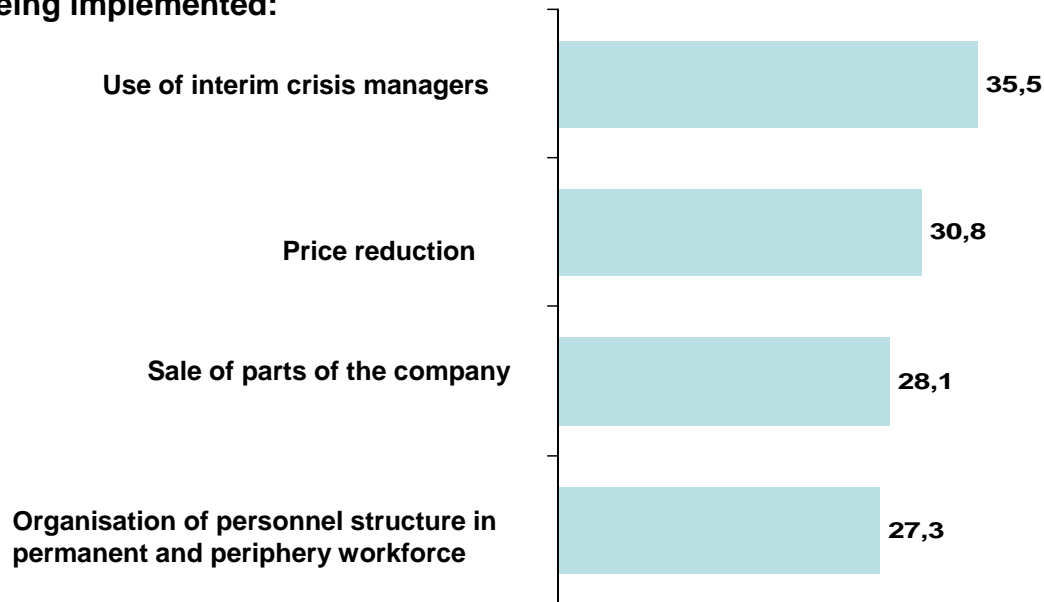
The following HR policy measures in situations of crisis are seen as important and are planned or under consideration:



The following HR policy measures are considered important in crisis situations; an implementation is not conceivable:



The following HR policy measures in situations of crisis are not seen as important and are currently not being implemented:



No specific statements can be given on the following measures:

- Determination of company holidays
- Determination of holidays
- Acquisition of subsidies



2. Selected results of the online survey

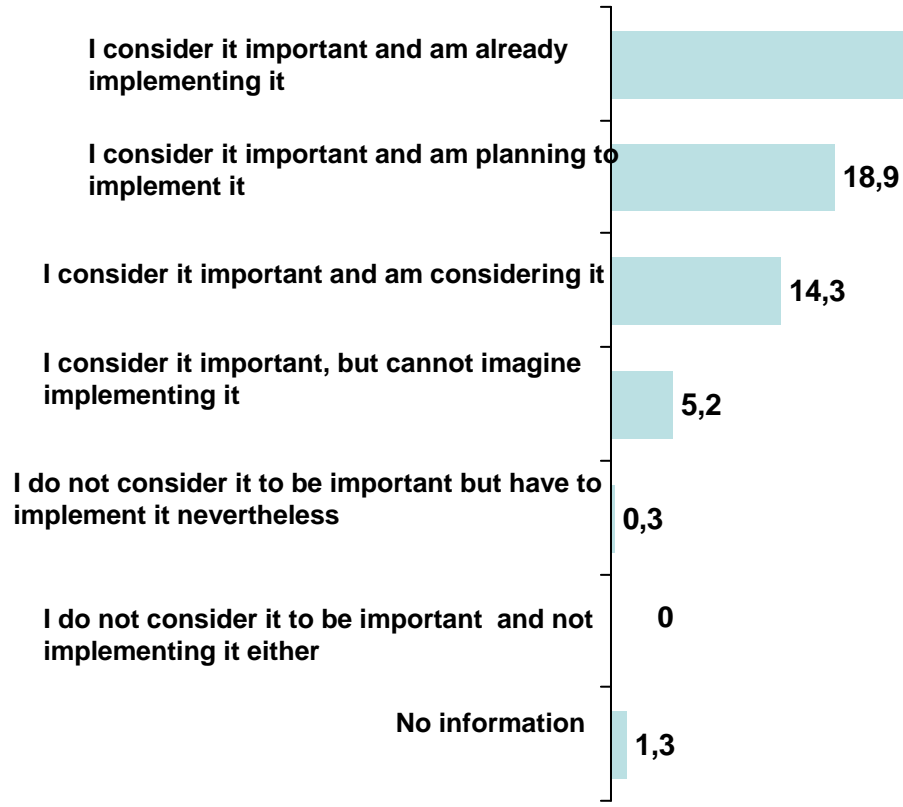


Almost 60% of those surveyed consider flexible working time models (or the synchronisation of workload and personnel assignment) to be important and are already implementing them.



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Please give us your assessment with regard to the following measures:



Question 2_1:
Flexible working time models for the synchronisation of workload and personnel assignment.

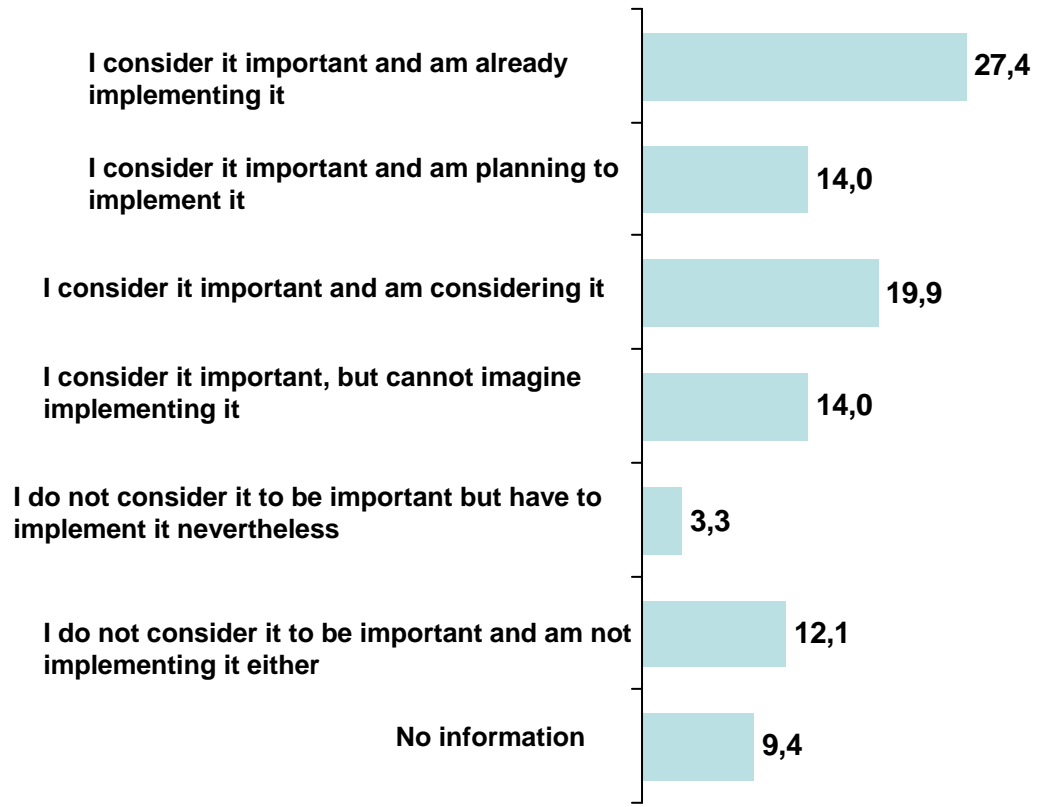
Basis: N=307 persons surveyed, figures in per cent of the answers given



Irrespective of whether those surveyed consider reduced working hours important or not important themselves, more than 30% are already implementing reduced working hours as a measure.



Please give us your assessment with regard to the following measures:



Question 2_10:
Reduced working hours

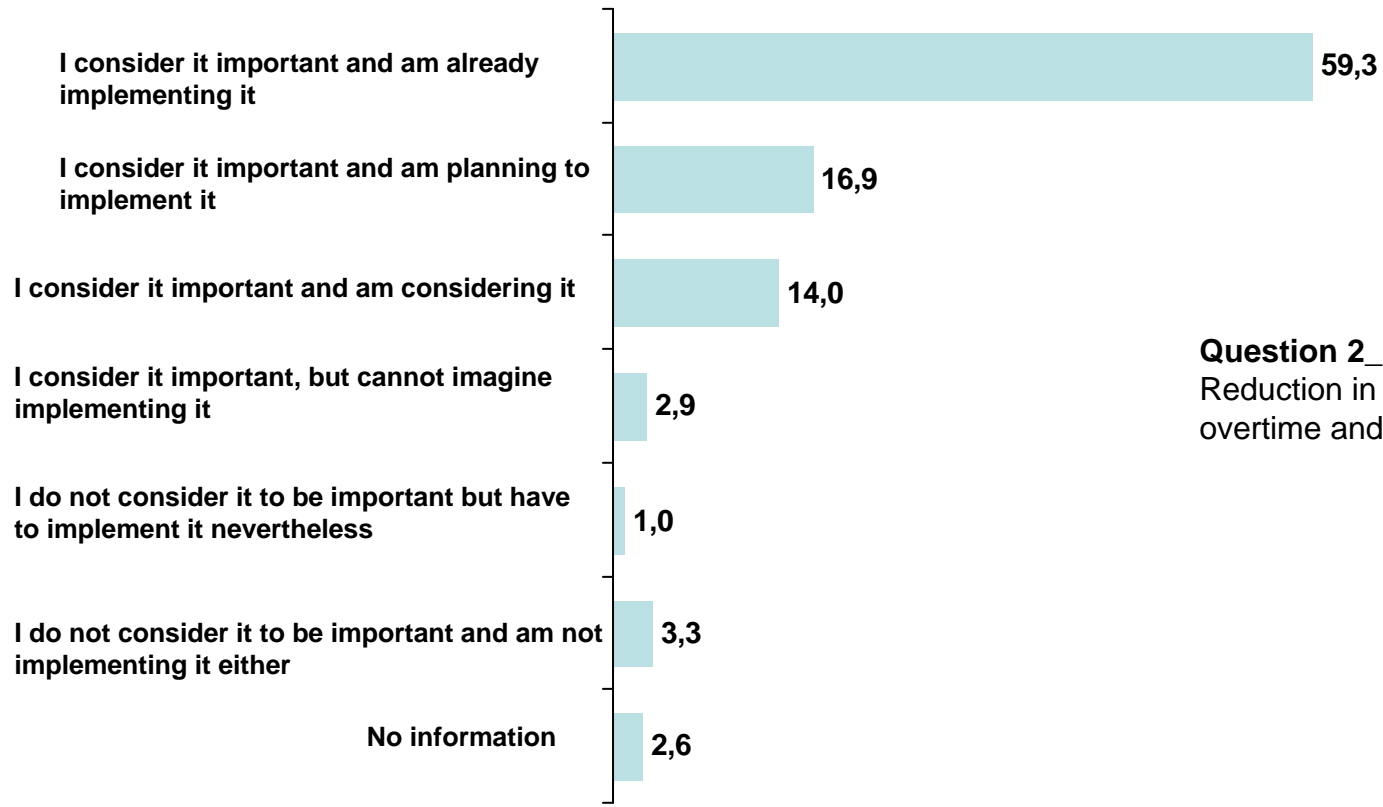
Basis: N=307 persons surveyed, figures in per cent of the answers given



With more than 93%, the clear majority of those surveyed considers the reduction in overtime and additional hours to be important. Almost 60% consider the measure to not only be important but are also already implementing it.



Please give us your assessment with regard to the following measures:



Question 2_12:
Reduction in overtime and additional hours

Basis: N=307 persons surveyed, figures in per cent of the answers given



General:

With just under 90%, the clear majority of all interviewees considers measures in the area of 'Change in working hours' to be worthwhile.

In detail:

Some of these measures appear to be of particular importance for the companies in the economic crisis; they are rated as **important and already implemented**. In particular, the following measures of the action field 'Change in working hours' need to be mentioned here:

- Flexible working time models to synchronise workload and personnel assignment (59.9%)
- Reduction of overtime and additional hours (59.3%)
- Flexible working time models combined with working time accounts (51.5%)

Primarily, the following measures are implemented or planned or under consideration:

- Reduced working hours (61%)
- Reduction in working time (52%)

Other measures, however, are rated by those surveyed as **unimportant**, irrespective of whether the measure is also implemented or not:

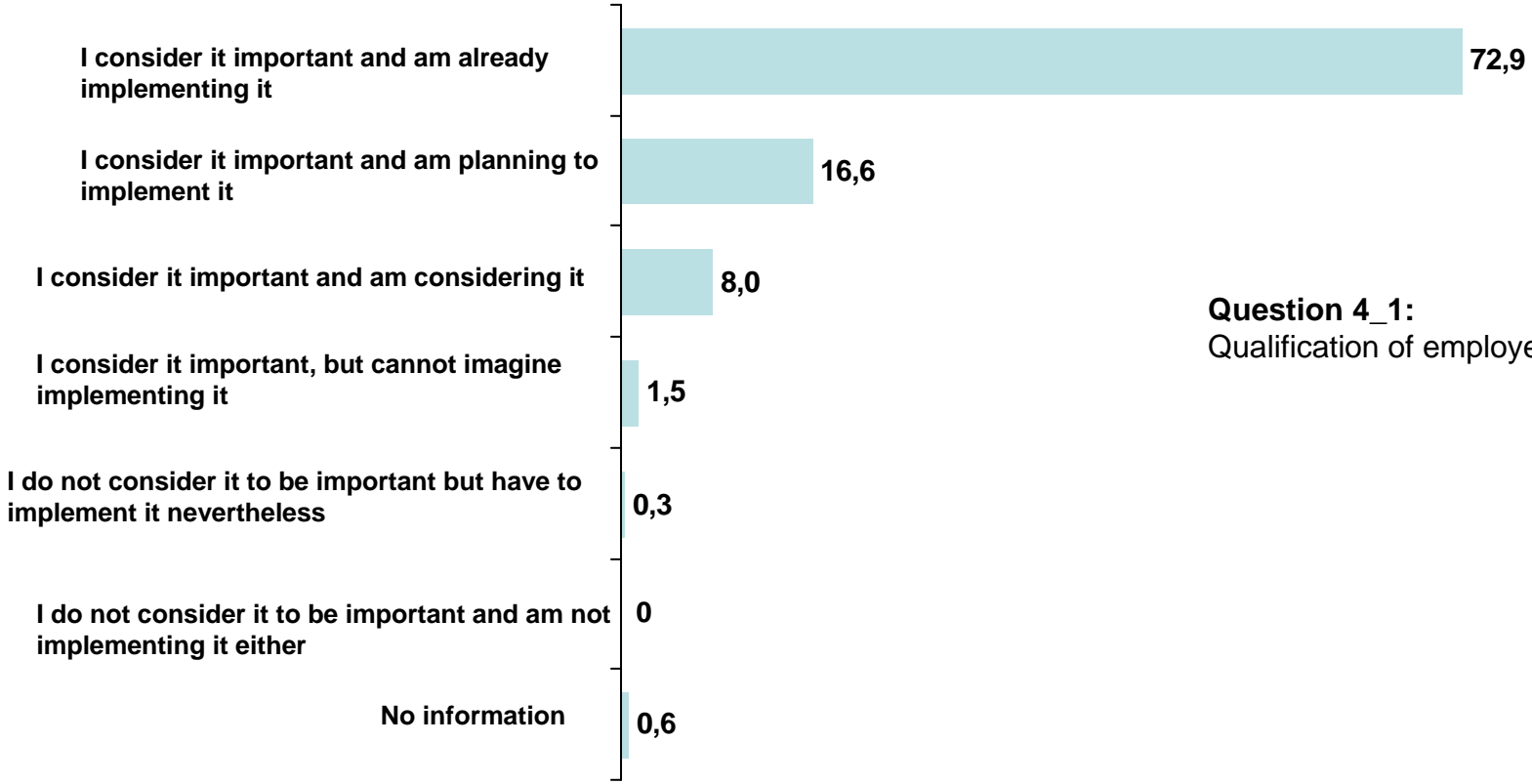
- Unpaid special leave (29.4%)
- Determination of company holidays in line with company requirements (29%)
- Extension of parental leave (27.7%)
- Reduced working hours as a creative phase and pause for thought (26.3%)



Approximately 73% of those surveyed consider the qualification of employees important in the economic crisis and state that this measure is also already being implemented.



Please give us your assessment with regard to the following measures:



Question 4_1:
Qualification of employees.

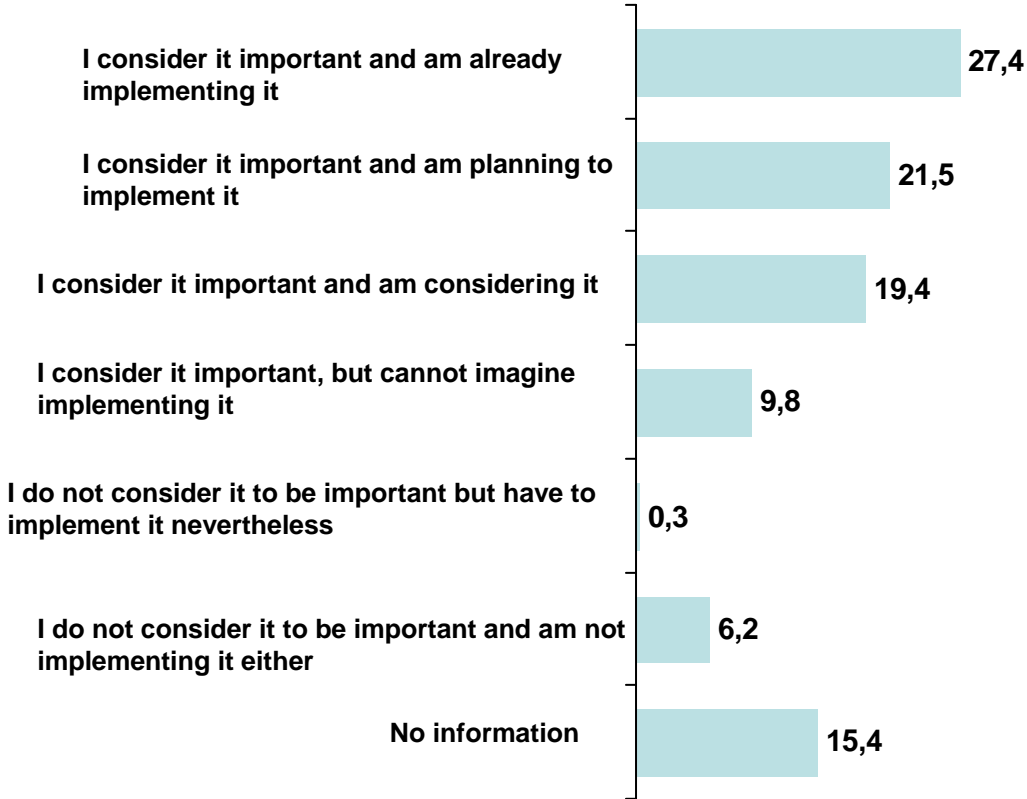
Basis: N=325 persons surveyed, figures in per cent of the answers given



More than 78% of those surveyed consider qualification during reduced working hours to be important. This measure, however, is only being specifically implemented by around 28%.



Please give us your assessment with regard to the following measures:



Question 4_2:
Qualification during reduced working hours

Basis: N=325 persons surveyed, figures in per cent of the answers given



General:

Almost 95% of all participants in the survey consider measures in the action field 'Qualification' to be worthwhile.

In detail:

With a clear majority, the measure 'Qualification of employees' (72.9%) in the economic crisis is of particular importance for the companies; it is **rated as important *and* is already being carried out**

Although the measures 'Qualification during reduced working hours' and 'Encouragement of younger employees to undergo further training' tend to be rated as important by those surveyed, these are not actually being carried out in the majority of cases.



General:

Just under 55% of all those interviewed consider measures in the action field 'Change in the place of work' as worthwhile in the economic crisis.

In detail:

It becomes clear that temporary transfers of employees during the economic crisis tend to be carried out when the already existing contract of employment permits this flexibility.

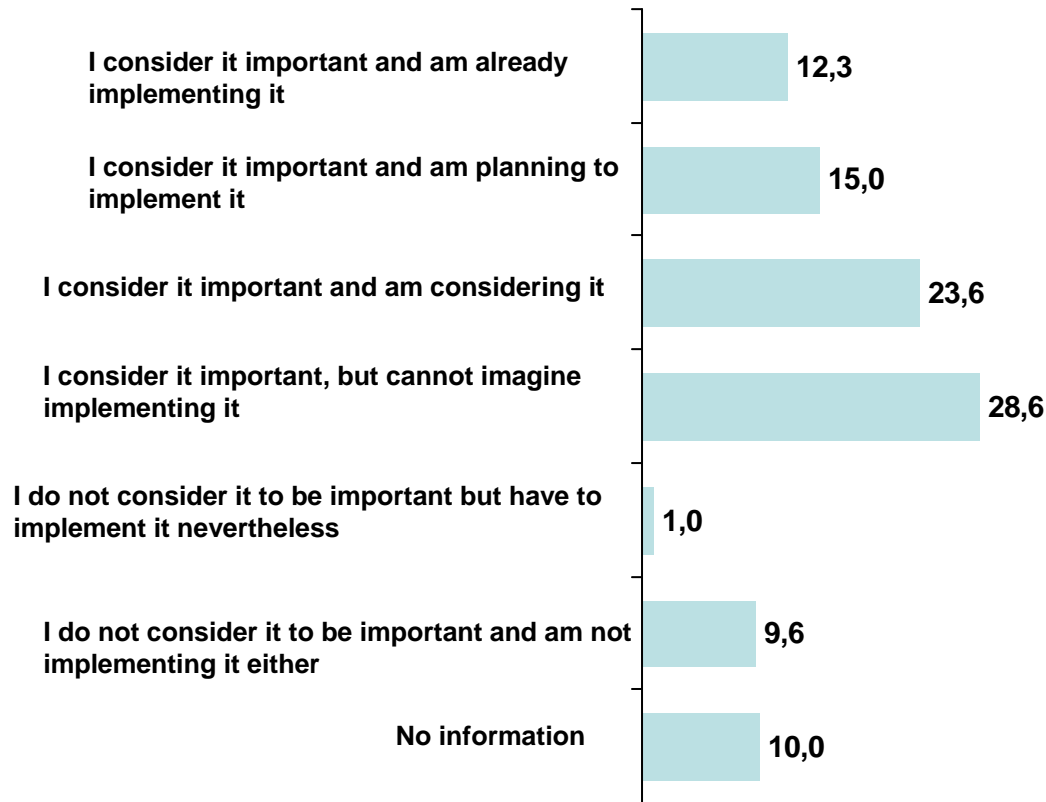
The survey also shows clearly that a temporary change in the place of work during the economic crisis is less likely when an amendment contract has to be drawn up.



Of those surveyed, just under 80% consider strategic partnerships/ alliances between several (smaller) companies (that exchange employees with one another as needed) to be an important measure. However, this measure is only being implemented by 13%.



Please give us your assessment with regard to the following measures:



Question 8_2: Strategic partnerships/ alliances between several (smaller) companies that exchange employees with one another as needed)

Basis: N=301 persons surveyed, figures in per cent of the answers given



General:

Almost 88% of all those surveyed consider measures in the action field 'Cooperative approaches' to be worthwhile in the economic crisis.

In detail:

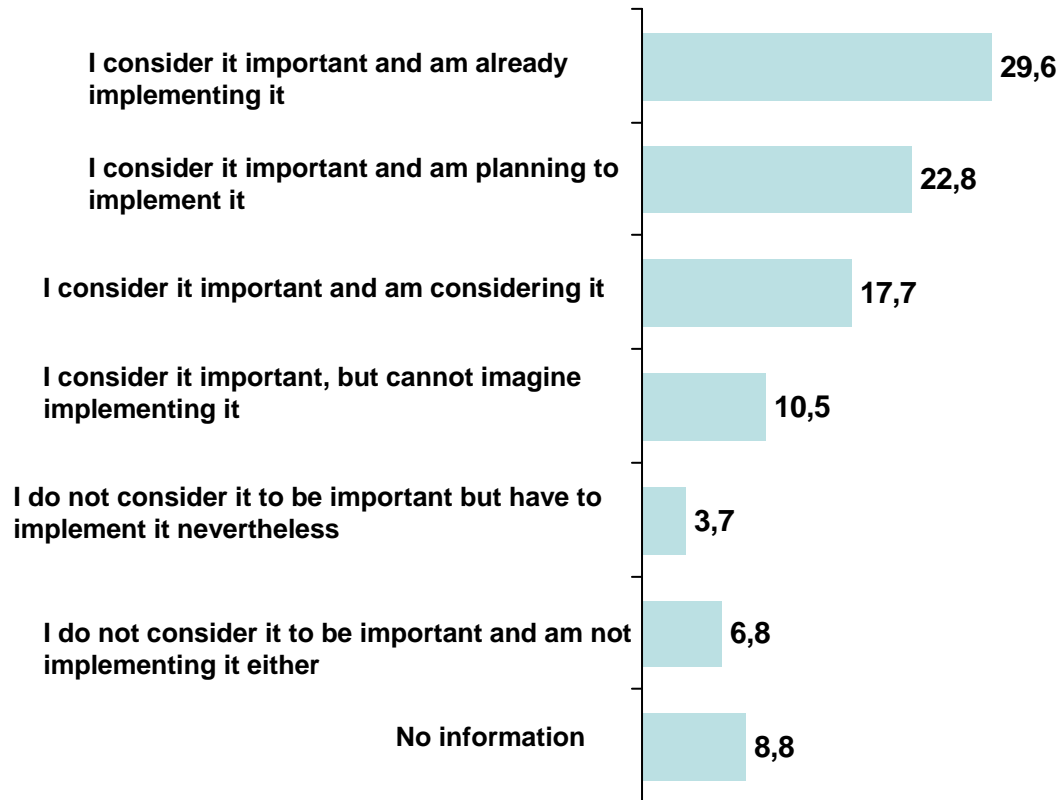
Overall, it can be detected across all fields of measures within the action field 'Cooperative approaches' that the majority of those surveyed consider the individual measures to be important at all times. However, with some of the measures listed (*temporary (temporary transfer of own employees ([taking into account the statutory boundary parameters]) strategic partnerships /alliances between several (smaller) companies that exchange employees with one another as needed, strategic partnerships/alliances between several (smaller) companies that exchange work*), it can be detected that an implementation is inconceivable for many.

Strategic partnerships with customers and suppliers, however, tend to be considered more frequently.



Almost 30% of those surveyed consider a postponement of wage and salary increases as an important measure and are already implementing it. Overall, more than 80% consider this measure to be important.

Please give us your assessment with regard to the following measures:



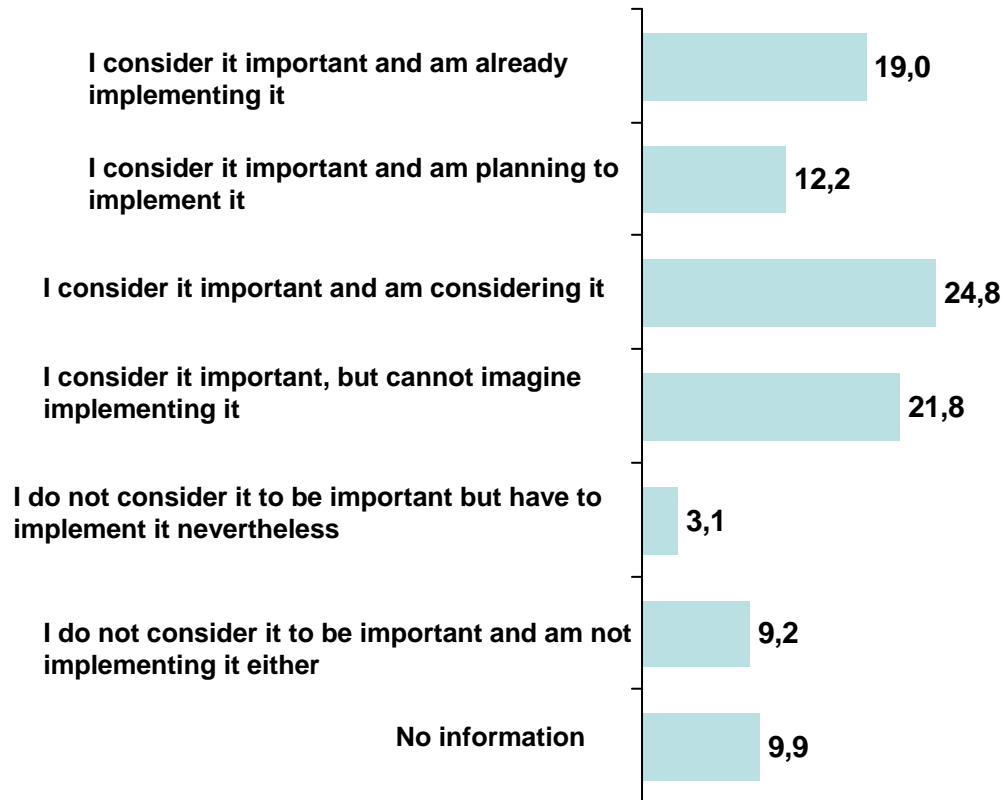
Question 10_6: Postponement of wage and salary increases.

Basis: N=294 persons surveyed, figures in per cent of the answers given



Almost 78% of those surveyed are of the opinion that a temporary renunciation by employees and managers of their remuneration is an important measure. Around 22%, however, could not imagine implementing this measure – despite its importance.

Please give us your assessment with regard to the following measures:



Question 10_7: Temporary renunciation by the employees and managers of part of their remuneration.

Basis: N=294 persons surveyed, figures in per cent of the answers given



General:

With just under 85%, the clear majority of all those surveyed considers measures in the action field 'Monetary aspects' to be worthwhile.

In detail:

Some of these measures appear to be of particular importance for the companies in the economic crisis; they are rated as **important and are already being implemented**. In particular, the following measures of the 'Monetary aspects' action field need to be mentioned here:

- Do not reduce budgets indiscriminately, but use the funds available where they can best produce results quickly and effectively (58.5%)
- Variable salary structures (49.3%)

Primarily the following measures are being implemented or planned or under consideration:

- Review of voluntary benefits (81%)
- Postponement of wage and salary increases (71%)
- Temporary renunciation by employees of their salary (56%)
- Conversion of bonus into time (50%)

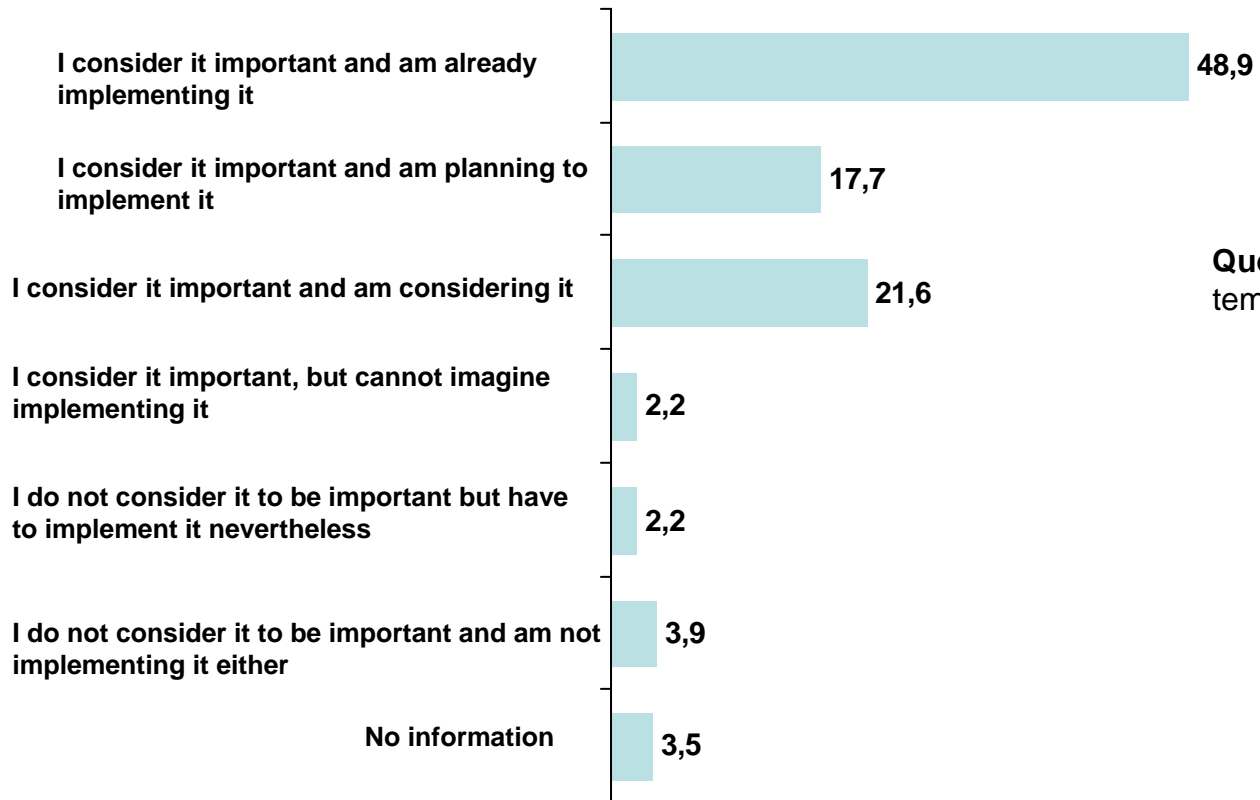
Other measures, however, are rated by those surveyed as **unimportant**, irrespective of whether the measure is implemented or not:

- Temporary renunciation by the employees and managers of parts of their remuneration as loans to the company: when the economic situation improves, the company pays back the loan with interest (18.7%)
- Conversion of bonuses into holiday (18.7%)



Around 49% of those surveyed consider not extending temporary employment contracts to be not only an important measure but also already implementing it. Another 40% or so are considering introducing it or are already planning to implement it.

Please give us your assessment with regard to the following measures:



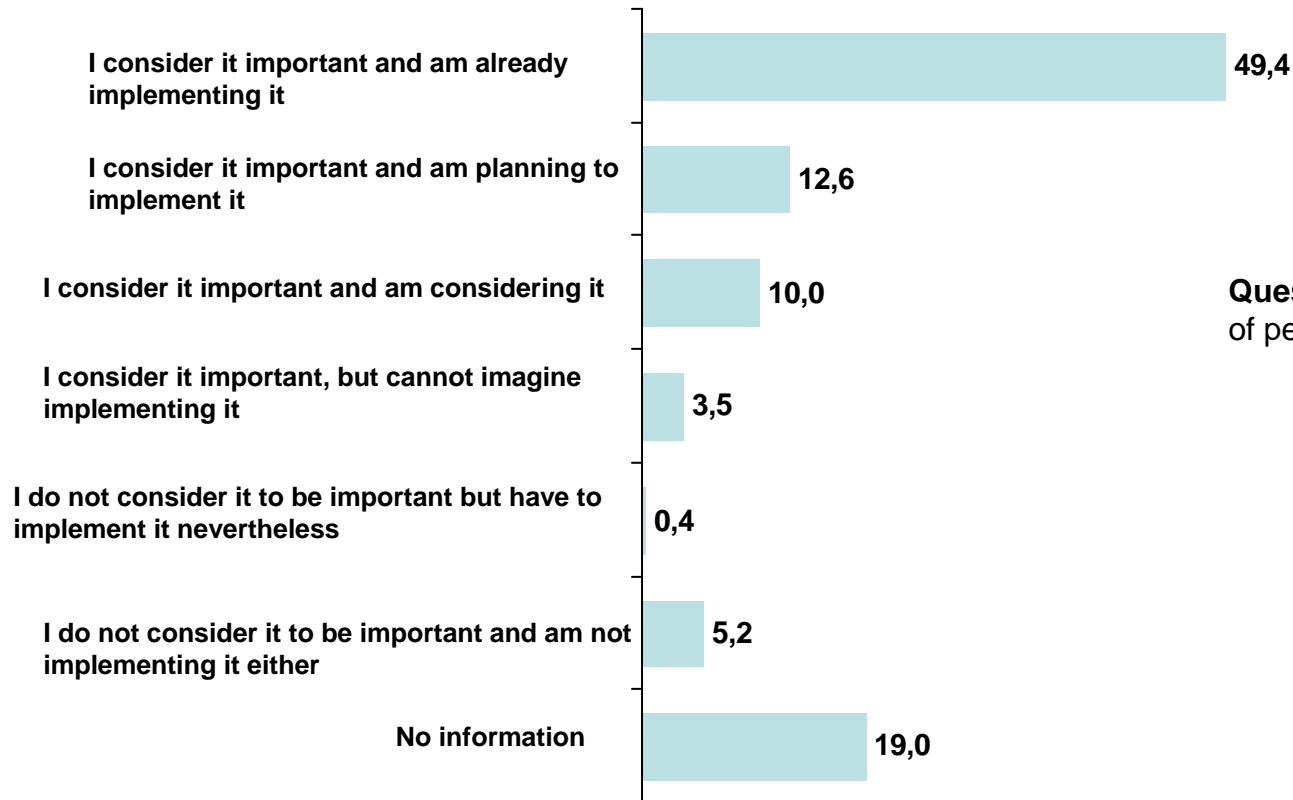
Question 12_5: Not extending temporary employment contracts.

Basis: N=231 persons surveyed, figures in per cent of the answers given



Almost 50% of those surveyed see the termination of staff leasing agreements as an important measure and are already implementing it. Another 22.6% are considering the measure or planning to introduce it.

Please give us your assessment with regard to the following measures:



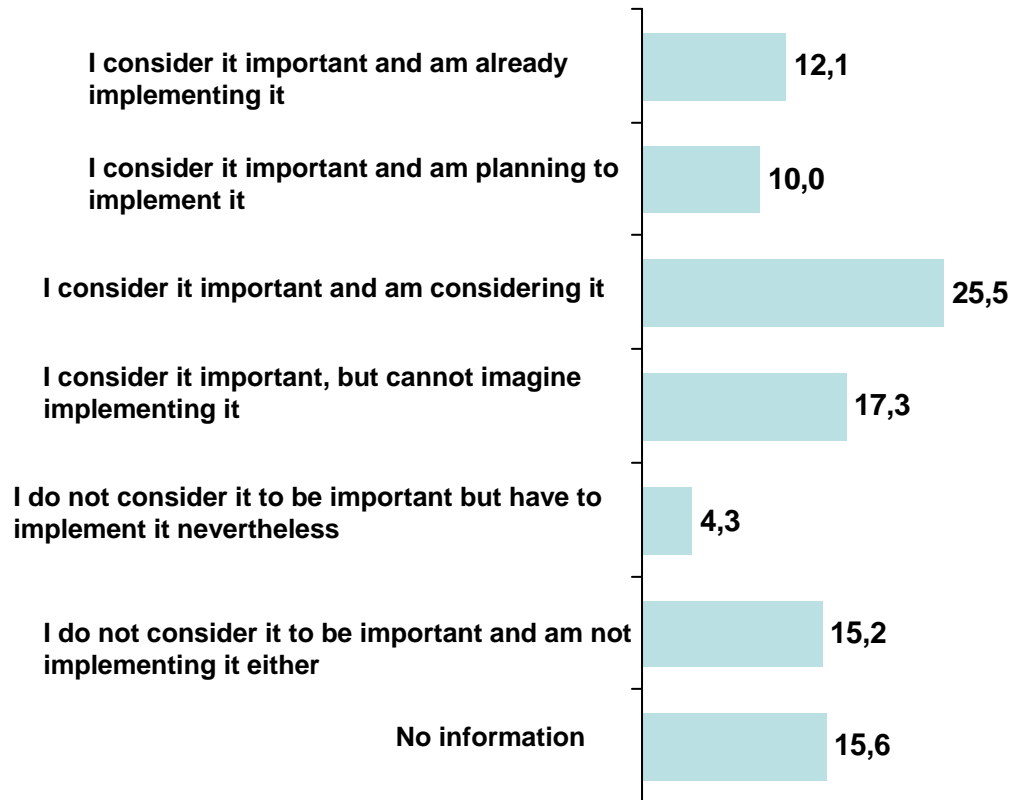
Question 12_6: Termination of personnel leasing agreements.

Basis: N=231 persons surveyed, figures in per cent of the answers given



Almost 65% of those surveyed see layoffs due to operational reasons as an important measure. 16.4% state that they are also implementing this measure – irrespective of its importance.

Please give us your assessment with regard to the following measures:



Question 12_9: Layoffs due to operational reasons

Basis: N=231 persons surveyed, figures in per cent of the answers given



General:

With just over 85%, the clear majority of all those surveyed considers measures in the action field 'Monetary aspect' to be worthwhile.

In detail:

Some of these measures appear to be of special importance for companies in the economic crisis; they are **rated as important and are already being implemented**. In particular, the following measures of the 'Reduction in workforce' action field need to be mentioned here:

- Not extending personnel leasing agreements (55.8%)
- Recruitment stop (53.2%)
- Termination of personnel leasing agreements (49.4%)
- Not extending temporary employment contracts (48.9%)

Primarily the following measures are being implemented or planned or are under consideration:

- Termination agreements (75%)
- Early retirement (71%)
- Professional severance management (69%)
- Termination after the probationary period (59%)



General:

At more than 95%, the absolute majority of all those surveyed is of the opinion that 'Management' is a worthwhile action field.

Overall, management appears not only to play an important role in the fundamental appraisal of the entire action field but particularly also in the implementation of the individual measures.

In detail:

Some of these measures appear to be of particular importance for the companies in the economic crisis; they are **rated as important *and* are already being implemented**. The following measures of the 'Management' action field need to be mentioned here:

- Acting considerately and not overreacting, without losing sight of the perspective (60.2%)
- Openness for creative paths to cope with the crisis ('There's no such thing as can't do') (59.9%)
- Restraint with activities that are not absolutely necessary (59.0%)
- Employee suggestion scheme (46.5%)

In particular, the staffing of management positions with women too is being implemented or planned or under consideration (60%)

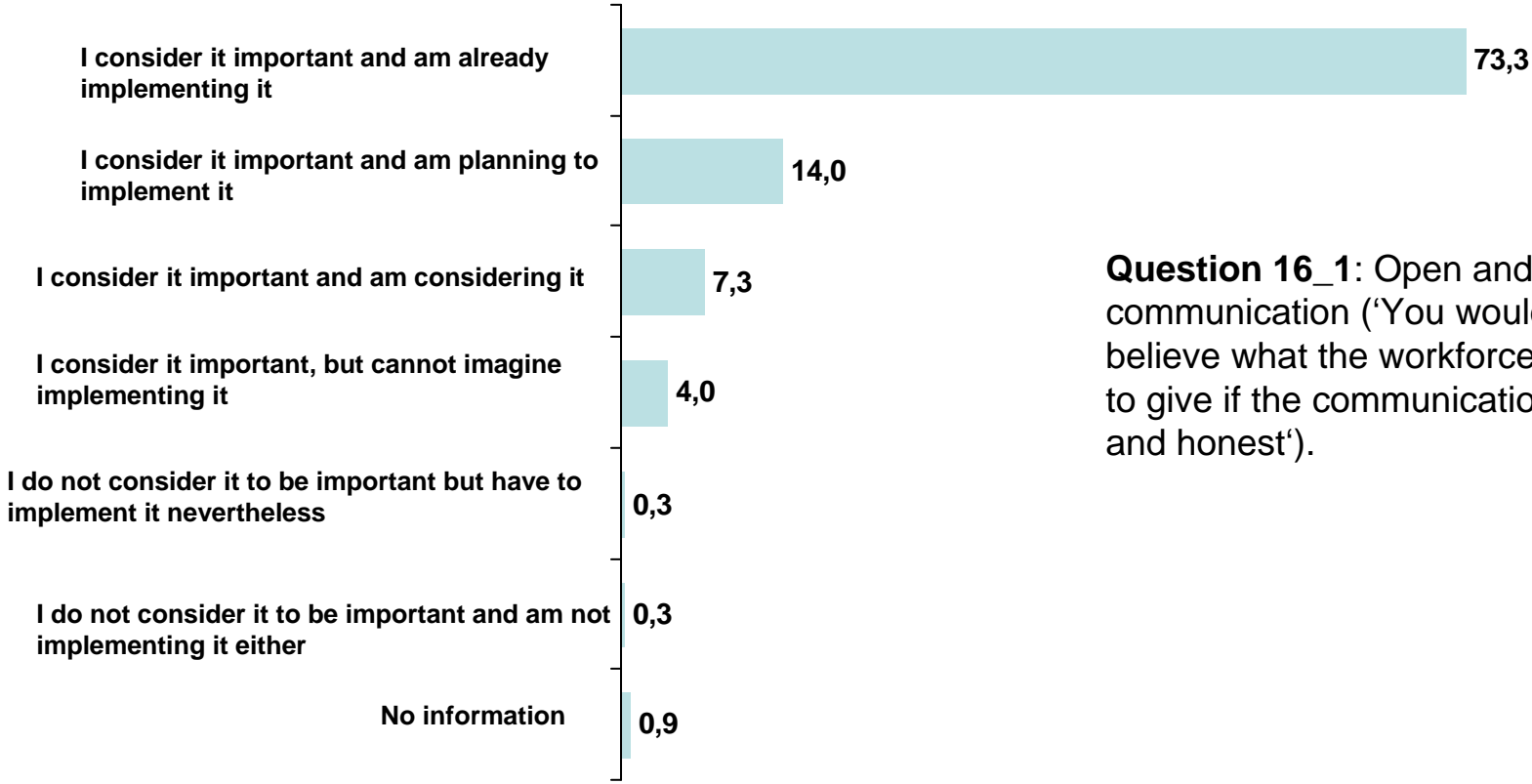
The measure 'Interim crisis manager', however, tends to be rated by those surveyed as **unimportant**, irrespective of whether the measure is also implemented or not



At more than 73%, the clear majority of those surveyed rates open and honest communication as important and also implements it. In total, almost 99% rate this measure as important.



Please give us your assessment with regard to the following measures:



Question 16_1: Open and honest communication ('You wouldn't believe what the workforce is willing to give if the communication is open and honest').

Basis: N=329 persons surveyed, figures in per cent of the answers given

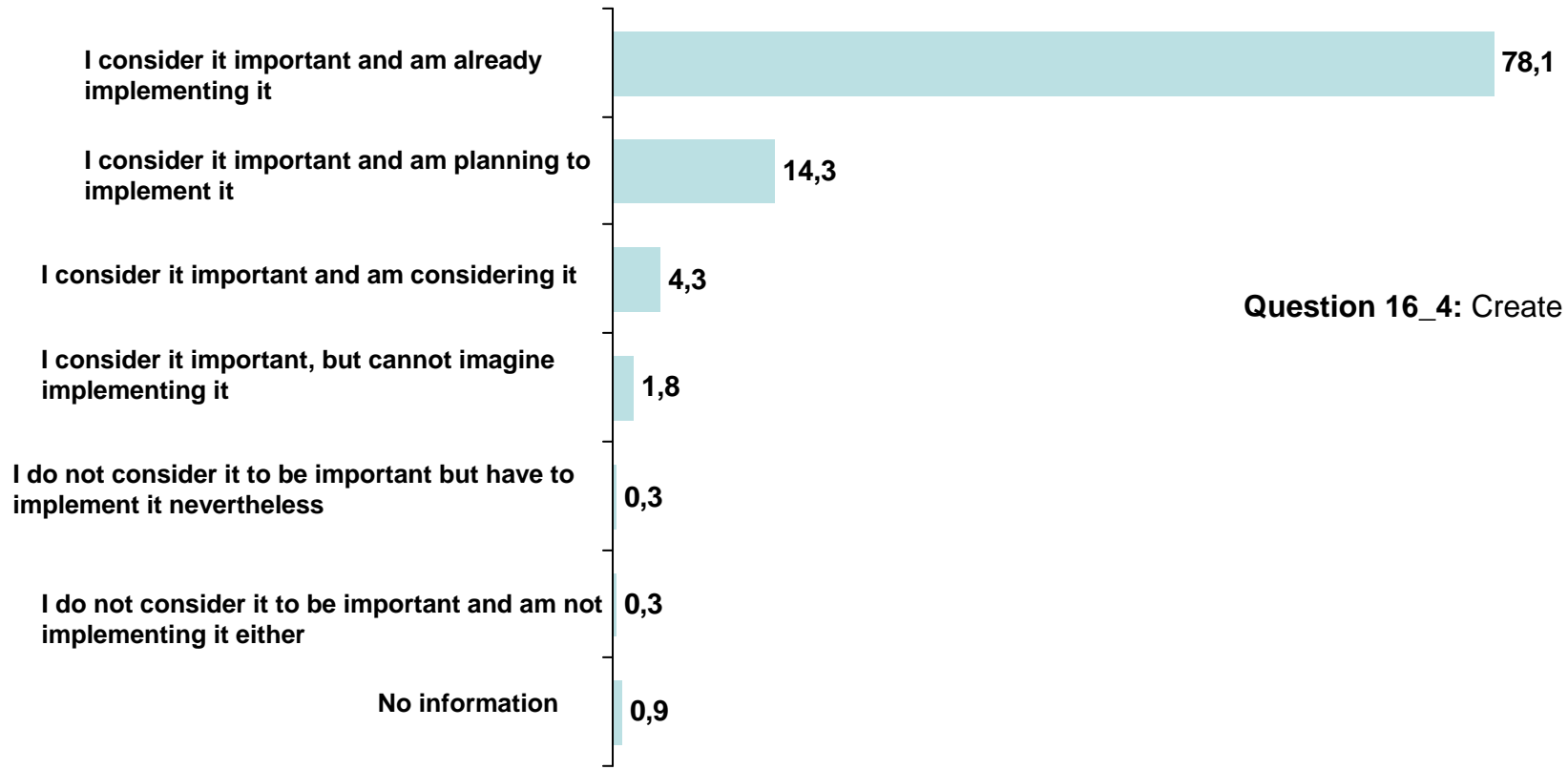


At more than 78%, the clear majority of those surveyed sees the creation of trust important as a measure and also implements this. In total, almost 99% rate this measure as important.



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Please give us your assessment with regard to the following measures:



Question 16_4: Create trust.

Basis: N=329 persons surveyed, figures in per cent of the answers given



General:

With more than 95%, the absolute majority of all those surveyed is of the opinion that 'Communication and conduct' is a worthwhile action field. Overall, communication and conduct appear to be a very important action field not only in the fundamental assessment but particularly also in the implementation and planning of the individual measures.

In detail:

Some of these measures appear to be of particularly importance for the companies in the economic crisis; they are **rated as important and already implemented**. In particular, the following measures of the action field 'communication and conduct' need to be mentioned here:

- Create trust (78.1%)
- Interpersonal fairness (e. g. respectful and dignified dealings with one another) (74.5%)
- Open and honest communication ('You wouldn't believe what the workforce is willing to give if the communication is open and honest') (73.3%)
- Improve cross-departmental communication (64.4%)
- Creation of scenarios and discuss with decision makers (54.1%)

Primarily the following measures are being implemented or planned or under consideration:

- Result fairness (76%)
- Create scenarios from the best case to the worst case and discuss with works' council ('We are doing everything to avoid it. But we will not avoid doing it if it is necessary') (7.3%)

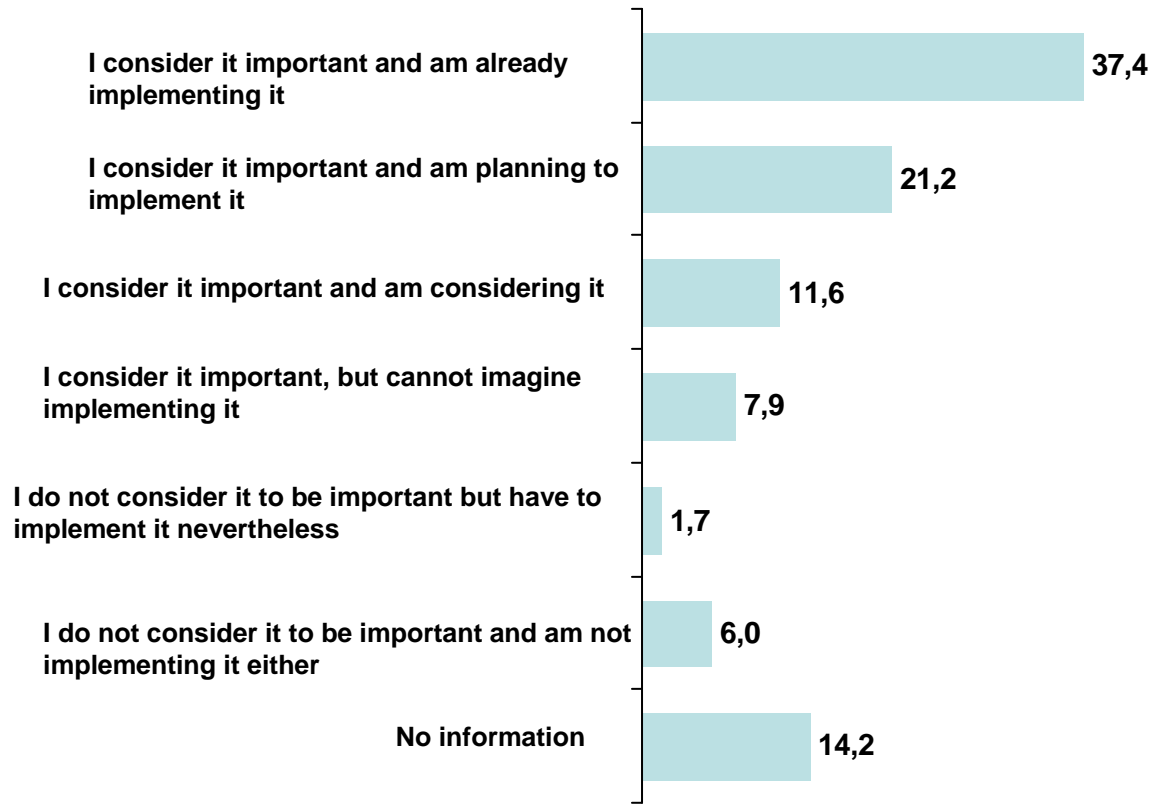
It is noticeable that the values in the rating category 'unimportant' are comparatively few in this action field.



More than 37% of those surveyed consider it important to see HR as an investment and are already acting along these lines. In total, more than 78% consider this measure to be important.



Please give us your assessment with regard to the following measures:



Question 18_5:

The view of HR as an investment (If you buy a machine, you make an investment. If you look after employees, you only increase your costs from a balance sheet perspective.)

Basis: N=302 persons surveyed, figures in per cent of the answers given



General:

With precisely 88%, the absolute majority of all those surveyed is of the opinion that 'Approaches beyond HR management' is to be seen as a worthwhile action field. When examining the individual fields of measures in this action field, however, there are clear differences in the assessment and active implementation.

In detail:

Some of these measures appear to be of particular importance for the companies in the economic crisis: they are **rated as important and are already being implemented**. The following measures of the action field 'Approaches beyond HR management' in particular need to be mentioned at this point:

- Review of the processes (54.6%)
- Reassessment of the cost-cutting strategy: it is not the costs that are the cause of the problems in the current situation but rather the lack of orders. Companies should therefore also act on the turnover/order side. (49.7%)
- Energy savings (49.0%)

Primarily the following measures are being implemented or planned or are under consideration:

- Make instead of buy (70%)
- HR as an investment (70%)
- Expand sales activities (54%)

Other measures, however, are **rated as unimportant** by those surveyed, irrespective of whether the measure is implemented or not:

- Price reduction (39.4%)
- Use the time created by the crisis to bring forward modification measures (19.5%) or renovations (17.5%), cleaning work (16.4%)

